

MINUTES
PERSONNEL COMMITTEE

Tuesday, January 13, 2015

City Hall, Room 207

2:30 p.m.

Members Present: Ald. Andy Nicholson, Ald. Thomas Sladek, Ald. Thomas DeWane, and Ald. Guy Zima

Others Present: Ald. David Nennig, Lynn Boland, Charlie Carlson, Patrick Glynn, Steve Grenier, Melanie Falk, and others.

1. Roll Call.

Meeting called to order by Ald. Zima. Ald. Nicholson to arrive shortly.

2. Adoption of the Agenda.

A motion to adopt the agenda was made by Ald. Sladek, seconded by Ald. DeWane. Motion carried 3-0.

3. Presentation and review by Carlson Dettman Consulting regarding the Engineering Compensation and Classification study, with possible action.

Director Boland introduced Patrick Glynn and Charlie Carlson from Carlson Dettman Consulting and indicated they would present the information regarding the engineering compensation study. This information has been presented to the employees in the Engineering Department.

Patrick Glynn stated he understood Carlson Dettman Consulting was contracted to conduct this study because the City was having difficulty with recruitment and retention of engineering staff, especially as it relates to the professional staff. This project was more limited in focus than our typical projects as it only covered the engineering staff rather than a complete wall to wall of all departments. But the scope or methodology didn't change due to the limited focus; the project scope still measured the job responsibilities of the employees, the internal comparability as it relates to compensation and job evaluation scores, and identified if the City's salaries are competitive with the market place. The recommendations being brought forward are a pay structure and methodology for moving through that pay structure.

Ald. DeWane asked if the consultants were brought in to find out why it's so hard to hire engineers. Mr. Glynn replied he understood that Carlson Dettman Consulting was asked to conduct this study because the City was having difficulty in recruiting and retaining engineers from a professional employee standpoint and the supposition was that the City believed they were behind in the market place from a compensation standpoint. With every project, our response is to let the data speak for itself, and at the end of the day, our response is

absolutely the City is substantially behind the market place in many of its engineering positions and you'll see that in the recommendations being brought forward. Ald. DeWane pointed out the City was hiring employees, but not retaining employees and that was the main focus to request the study.

Ald. Zima asked whether the City conducts exit interviews and if so, does the data show that employees are leaving for higher wages with another employer. Director Boland said the City conducts an exit survey which includes questions about why the employee is leaving. Employees have moved on because they felt they had better opportunities with other employers; some due to salary, some because of other opportunities, but salary was a common thread for rationale for leaving. The engineering department has had a couple of retirements too. Ald. Zima stated he believes an exit interview should be conducted for all employees and when you find employees are leaving for a specific reason such as wages, then the wage scales need to be reviewed.

Ald. Zima asked what the consultants could do today other than what our own staff could have done by making some comparative analysis of other engineering departments. Mr. Glynn responded if he can hold off answering Ald. Zima's question now and continue with the presentation, it should answer his question. There are certain positions that are rock solid comparables, but there are also a number of positions within the organization, as in any organization, where there isn't a direct linkage from one employer to the next because of a specialized skill set or specialized needs that aren't repeated through other organizations. For us, making sure to identify the benchmark positions as well as slotting and placing those positions that aren't benchmarks using the appropriate regression analysis and job evaluation that we do as part of our projects.

Ald. Zima inquired if the City's department was substantially different from other departments as far as educational makeup and all that sort of thing. Mr. Glynn stated there was a contingent of the classifications that were very much like the other positions in other organizations which allowed us to establish the benchmarks. The City has one engineering tech position with responsibilities for an amusement park and Lambeau Field and there is no other organization in the State that has those responsibilities, so we use job evaluation scores and regression analysis to arrive at the appropriate wage rate for that position. That's just one example of where there isn't an apples-to-apples comparison for that position, so we set that off to the side and let our methodology place that position appropriately. Ald. Zima asked if having Lambeau Field and an amusement park makes a substantial difference on how the City's department operated. Mr. Glynn replied no that was just an example; there are always certain positions in any project or study where there isn't an apples-to-apples comparison for that position. Not every position in the department has to line up to the marketplace as long as you have a very good representative sample of the positions in the department. Our methodology, which uses our job evaluation system to arrive at a score and then we apply multiple regression analysis to come up with a pay line and ultimately recommend to the client a pay plan based on the market data as well as the regression analysis we conduct.

Mr. Glynn explained projects are conducted in line with the client's strategic objectives. One of the City's objectives is being able to recruit and retain quality staff. The project also looks at performance management, the internal equity piece is very important, making sure positions performing comparable duties are paid comparable as well as making sure it's a legal pay plan in terms of removing any gender bias or any other biases that might exist. Looking at the competitiveness in the established market place as well as bringing forward a plan with recommendations that are affordable. We appreciate and understand governmental entities have restrictions and need to be responsible in compensating their employees. Looking at the total compensation design, not just wages, but also in many cases looking at the overall benefit packages that are provided to employees. Providing something that is understandable, efficient in its administration, and maintains balance with the market place.

Mr. Glynn stated both public sector and private sector data was reviewed for the project. This occupation has a wealth of information both in the public and private sector. Public sector comparables included the cities of Appleton, Eau Claire, Janesville, Kenosha, Lacrosse, Madison, Oshkosh, Racine, Sheboygan, Waukesha, West Allis; and Brown County, NEW Water, WISDOT. Private sector data included the Bureau of Labor Statistics, the American Society of Engineers which allows us to do an apples-to-apples comparison for the professional engineering staff, and Towers Watson, which is one of the largest compensation survey firms for private sector employers.

Mr. Glynn stated internal consistency is important for this type of project, so job documentation was requested from every classification in the engineering department. Each job evaluation questionnaire (JDQ) was reviewed and rated on the following five factors.

- Education & experience required to perform the job.
- Decision making the employees engages in on a regular basis.
- Thinking challenges and problem solving required.
- Communications, interactions and the impact those communications have on the organization.
- Working conditions.

Point values are assigned to each of the five areas based on the job documentation received. Based on using the system for thousands of positions over the course of many years, we firmly believe this is an objective analysis that removes any bias that is normally associated with some of the other evaluations; it's more objective rather than subjective and it's reviewed internally with staff. Mr. Glynn believes with the job documentation and the job evaluation process we've achieved the internal consistency piece.

Ald. Zima asked what is meant by internal consistency. Mr. Glynn explained internal consistency is based on the five factors, for example under education and experience whether the position requires an associate, bachelors or masters degree. Lining up the positions based on the type of degree required as well as

the amount of experience required to enter into the job, whether its 1-2 years for an entry level position or a position that requires 5-7 years experience. Based on the job documentation received, positions are evaluated and assigned a point value; there are factors and sub-factors for each one of the 5-factors. As point values are assigned, one job might be 550 points while another one is 475 points, another 650. This enables an objective analysis of those positions independent of any overweighting or underweighting. The fact a position may have been paid \$25 in the past is not a factor in the evaluation. We look at the job documentation and the evaluation as it relates to our job evaluation system.

Mr. Glynn continued the presentation and stated in arriving at a recommendation the three basic choices laid out for clients include:

- Steps – this is a traditional model used in number of plans.
- Open Ranges – very common in the private sector, where there is a minimum and maximum. Employee pay is based on performance or contribution to the organization.
- Hybrid or Combo – steps up to a mid-point, and then performance based on contribution to the organization based on that control point (market rate).

Since Act 10, a number of organizations have struggled with how to handle contracts that have expired. Carlson Dettman has adopted approximately 47 pay plans since Act 10. A large majority of our plans tend to be a step system or a combination system, but in all cases we firmly believe any advancement, whether its merit advancement or step advancement needs to be accompanied with an affirmative performance evaluation.

Ald. Sladek asked what is meant by ATB (Across the Board) increases are still a challenge. Mr. Glynn indicated the challenge is in how you integrate any across the board activity with a performance based system or with a step-based system. It's a difficult question in regards to any raises being automatic in today's world.

Mr. Glynn stated the ranges in step plans tend to be more compact. The maximum divided by the minimum is usually less than 30% whereas the open range plans tend to be a much higher number. Many employers are stretching out the steps beyond the mid-point in two year intervals making it a 15-year plan or three year intervals to make a 17-year plan. Most of Carlson Dettman's clients are adopting step plans, not necessarily because they want to, but due to the administrative and managerial realities they have. Performance evaluations, and employee development plans haven't been in place and in many cases employees have been working for the same employer for 30-years and haven't received a performance evaluation since they came off probation. The biggest challenge we find with our clients, and just in the public sector in general, is making that move towards employee development and performance management and sometimes staffing isn't in place to be able to do that.

Ald. Sladek agrees operating a performance based system requires supervision to have certain experience and talents to make it work well. As part of the study, did you examine where on that continuum the City is and do you have any

perspective as to whether the City is ahead or behind others? Mr. Glynn replied there was a long conversation in terms of whether the City had the wherewithal and capacity to administer a performance driven system. There were two good things that came out of the limited scope of this study. First, because you're not dealing with the whole City there is more flexibility to experiment if needed and secondly, given the type of work the engineering staff does, the measurable or goals are much easier in an engineering world.

Mr. Glynn explained open range plans have a minimum and maximum with a larger spread than step plans. The spread on a step plan is usually less than 30% whereas an open range plan may have a spread of 40-50%. There is more at stake from a performance standpoint on an open range plan. Under an open range plan, performance matters, and employees can be rewarded more under this type of system. Carlson Dettman is not recommending an open range plan for the City of Green Bay, but Appleton, Neenah and Mid-State Technical College have adopted open range plans and a number of entities are watching what happens to see what success or failures they have with an open range plan in the public sector. There are challenges in administering an open range plan including implementing equitable rating systems and maintaining funding. A number of private sector companies utilize open range plans.

Mr. Glynn stated a combo plan is being recommended for the City. Typically this type of plan includes:

- Minimum 87.5% of control point; maximum 120% above control point
- 37% spread
- Five steps to control point

The Control Point is based on the market data, the job evaluation scores and regression analysis to come up with the correlation coefficient to see if the job evaluation scores correctly predict the market pay. The correlation coefficient for this project was 94 which is fantastic number in terms of answering the question whether the scores we arrived at for the positions predict market pay. Then we arrive at the slope of the pay line; so as job evaluation scores increase, the pay increases. The Control Point approximates the market rate for that pay grade. Positions are grouped together by job evaluation score point ranges, otherwise if you had thirty positions, you could have thirty pay grades and you don't want that. It's not feasible to maintain a plan such as that. Putting them together in point ranges and coming up with grades approximates the market rate for that grade or range of points.

Ald. Zima didn't understand the methodology and asked for simpler language to explain the system. Ald. Sladek explained there is a control point which is the average pay for that type of work, and the maximum pay is set at 120%; therefore the very top performers could conceivably make 20% more than the control point; whereas the lowest performers would be at 87%.

Mr. Glynn stated no, the pay plan starts at 87.5%. The expectation is the employee would move to the next step in the pay system on an annual basis, so

87.5% to 90%, 90% to 92.5%, and so on until the employee reaches the control point which is 100%. Advancement through the steps would occur annually providing the employee has a meets expectation performance rating each year. Any movement beyond the control point is based on contribution to the organization, or merit based.

Mr. Glynn reviewed the recommended pay schedule for the engineering positions. The schedule shows the steps from 87.5% to the control point of 100%, up to the merit zone of 115%. Positions marked as (N) are non-exempt and would be eligible for overtime. There are proposed title changes for some positions such as Traffic Engineer to Civil Engineer III; and Engineering Techs and Aides would go from three levels to two. The schedule also includes the annual hours each position works, the grade letter, the proposed minimum pay, control point, the merit maximum; and then the current minimum and maximum pay. The last column shows the percent increase from max to max. The current maximum is based on time in the seat with the City and the new maximum is based on all things being optimal with the employee performing at a high level and making their way to that maximum. It's not easy to get to the maximum, but there are some substantial increases under the new system based on the market values for those positions. The best comparison is to look at the control point for each position compared to the current maximum for that position.

Mr. Glynn provided a brief explanation on the criteria used to evaluate each position on experience, supervision, project/program management and proficiency. Ald. DeWane asked about on-the-job experience versus a college degree and whether employees without a degree can be promoted to positions requiring a degree. Mr. Glynn stated there are state license requirements for engineers.

Mr. Glynn reviewed the steps to implement a new plan which included:

- Implement at start of pay period following approval by Council.
- No employees would receive a reduction in pay.
- If below minimum, employee would move to minimum on the plan.
- If between steps, employee would move to step that provides a minimum increase.
- If above maximum, pay red-circled.
- If on steps, movement on January 1, 2015. Employees hired after January 1, 2015 move on their anniversary date. January date is example only.
- If on merit zone, movement in the year after reaching control point and successive years thereafter. Exceptional performance=\$1,000, Above Expectations=\$500 per year (in many cases this is less than a percentage based plan).
- ALL movement requires performance review with at least a "satisfactory" performance review.

In summary, Mr. Glynn stated a pay plan makes sense if it's internally equitable, the pay ranges reflect what employees can earn in the market place, the plan supports employee development, employees have an opportunity to make more based on their performance and the plan can be funded and maintained consistently.

Discussion followed. Ald. Zima inquired if this study affects other City positions at the same level or does it plug employees into our existing pay plan at a different level. Mr. Glynn responded this is a separate pay plan from all other City pay plans. Director Boland stated the proposed compensation plan is so different from what the City is currently doing it would be difficult to make this fit in the current pay plan. That would also make it difficult to accomplish the performance piece which addresses retention into the future, which is why there is a separate pay plan recommended for the engineering division.

Ald. Zima asked what the cost would be to implement the new plan. Mr. Glynn replied the approximate cost of implementation is about \$46,000. Director Boland stated that would be the maximum cost for 2015, depending on when the plan was implemented. Ald. DeWane inquired about what the cost would be in future years. Ald. Zima inquired how many employees this affects, to which Director Boland replied 26. Ald. Zima stated that equates to approximately \$2,000 per person and asked about the annual impact. Director Boland explained it would depend on where the employee was on the schedule as to whether the employee would receive a step increase or a merit increase. Ald. Sladek asked if there was an aggregate of the cost over the next several years. Director Grenier stated an aggregate cost could be calculated if certain presumptions were made, i.e. everybody meets expectations.

Mr. Carlson stated the City has a tough decision ahead because it does open the door to other employees who say "what about me". There is general acknowledgment across the United States that infrastructure has not been well maintained and everyone is predicting another explosion in growth. The problem is in order to build you must have engineers. The City can either employ or retain engineers as consultants and pay different dollars. Five or six years ago when the country was going through the economic downturn, engineers could be found without any problem. Now, there is a shortage, which makes it difficult to retain engineers as companies lure employees away from one another. Mr. Carlson stated in examining the pay work Mr. Glynn put together it appears the engineering techs are in good shape, but there is a problem with the City's licensed engineers and professional engineers. This pay plan will put the City in a position to correct this problem; and will probably require more money in the future. The legislature thought they were giving communities a gift when they did away with collective bargaining, but every community is struggling with how to compensate employees with less money. Now, municipalities have to make tough allocation decisions about what services to provide - protective services versus engineering, engineering versus parks, etc. The engineering group was seen by the administration as a critical area that had to be addressed. Carlson Dettman developed pay plans for DePere, Appleton, Oshkosh, Neenah and Fond

du Lac city-wide. The feeling was the City of Green Bay was not ready to develop a pay plan city-wide. In all likelihood, if this pay plan is approved, the City will have to review all the positions.

Ald. Zima stated there is a marketplace out there that has to be dealt with, which is why exit interviews should be a mandatory condition of employment. If the exit interview shows 80% of your employees are leaving because of reasons other than pay, then there isn't an issue with the pay scale. Ald. Zima understands the step system but feels it allows for too big of a range. Employees have a probationary period and once the probationary period is over, employees should advance to whatever the pay commands. Steps should be very limited. If an employee is doing an exceptional job, perhaps they should be paid a one-time bonus that doesn't increase the base pay. Ald. Zima feels if there needs to be an adjustment it should be a one-time thing by meeting the market. Ald. Zima would like to reduce the number of steps and pay employees what they are worth.

Mr. Carlson suggested looking at what it would cost to bring everyone to market immediately, although this could be a much higher cost for the City. Director Boland indicated that may lead to looking at the various pay schedules throughout the City. The City currently has pay schedules based on market for police and fire, and now there would be one for the engineering group based on the market.

Ald. DeWane expected more from the study regarding retaining employees and why the City has been unable to retain employees. It appears the study focused on pay increases wanted by the administration. Retention was supposed to be the main focus of the study.

Director Boland stated Ald. Moore had requested the market survey pay study for the engineering division. Director Grenier stated he spoke with 9-employees over the last year and one-half; 3 were retirements, and 6 of them mentioned pay, which was either the primary reason or one of the reasons employees left.

Ald. Sladek stated the study was requested because the engineering division was losing people and pay was a factor. The study done by Carlson Dettman confirms the City has not kept up with compensation for professional engineering staff. The proposal by Carlson Dettman offers two components. One, get caught up using the step process to bring the City in line with the market; and two, the implementation of a merit system which will reward employees who are stepping up and doing exceptional work. Ald. Sladek likes both components of the plan and feels the City needs to do more with merit pay systems. Merit pay systems are complex and can be difficult to administer, as they require skills, talent and attention on the part of leadership the current type of system doesn't. The prospect of having a merit pay system makes sense. Ald. Sladek doesn't believe it's a matter of people can do the job or they can't. In the professional line of work, such as engineering work, there is a wide-range of performance among people. There are numerous ways individuals can take initiative and move the organization forward through their work and a merit system offers a way to

reward those people. The City needs to make sure the necessary skills are in place amongst the supervisory staff to manage a merit based system. Ald. Sladek feels the City would be missing a significant opportunity by not implementing the merit reward system.

Mr. Carlson has worked with employee compensation for 45-years. For the last 40-years, until Act 10, public sector compensation was managed from a bargaining framework. As a result, performance management was forgotten. Quite often public sector employees will tell you they haven't had a performance review since the end of their probation. Employers are now at a crossroads, the old rulebook is gone and employers must decide how to manage employee compensation going forward. It's a fundamental decision that has to be made by hundreds of government entities throughout the state. The situation presented here may make the best sense for the City of Green Bay to try it, with a commitment to make it succeed. Success will require leadership, funding, risk taking, and a willingness to try. Mr. Carlson believes the public will not accept substantial employee pay increases without a link to performance. Ald. Sladek asked if there was evidence to that effect to which Mr. Carlson replied yes, in the legislature with the adoption of Act 10.

Mr. Carlson stated the City is at a crossroads and has an obligation to make a decision on how to move forward. Mr. Carlson suggested the committee review the information presented and forward any questions to Director Boland. Employees have heard the information as well and can ask questions. Once the questions are answered, then the City can make a decision as to what road to go down.

Ald. Zima would like to see the total impact of implementing the plan for the engineering division. Ald. Zima questioned if Mr. Carlson looked at both the private and public sector to establish the pay scale. Mr. Carlson replied yes. Ald. Zima feels the public sector is more important due to the stability of government jobs and asked whether private sector pay was much higher than public sector. Mr. Carlson did not have that data with him, but could provide it to the committee. Mr. Glynn stated typically for management level positions the private/public sector blend is 25% private, 75% public. Employers tend to grow their management staff within the public sector. For professional level positions, the blend is 50/50, because employers are just as likely to hire from an outside firm as to grow your own. For the technical positions, it's usually 75/25 because it's more likely those will be hired from the private sector.

Director Grenier stated the majority of employees who left the engineering division recently have gone to other governmental agencies within the metropolitan area. Ald. Zima stated the City is competing with Brown County and NWTC. Mr. Carlson stated most people who work for the government do so because they like the work.

Ald. DeWane made a motion to open the floor to interested parties. Ald. Sladek seconded the motion. Motion carried 3-0.

Ald. Nennig asked if there would be a written report to share with all the council members. Mr. Carlson responded yes. Ald. Nennig asked when the administrative salary plan was looked at in totality. Director Boland wasn't sure but believes it may have been 20-25 years ago. Ald. Nennig stated there were studies done years ago in the 70's and 80's that included merit plans and both times, the council decided not to implement the merit plans. Ald. Nennig believes there is merit in having separate compensation plans for the various groups such as the engineering division. Director Boland agreed and indicated the immediate need appears to be with the engineering staff.

A motion to return to regular order was made by Ald. DeWane and seconded by Ald. Sladek. Motion carried 3-0.

Ald. DeWane stated there are a number of good engineers in the City of Green Bay and feels the whole council should determine how to proceed. Ald. DeWane thanked Mr. Glynn and Mr. Carlson for the presentation.

A motion to open the floor again was made by Ald. DeWane and seconded by Ald. Sladek. Motion carried 3-0.

Julie Piton, AFSCME Council 40 representative. Ms. Piton stated she met with Human Resources yesterday to review the study. Ms. Piton inquired about the cap on merit increases and if there is a list of employees who are at the max of the merit range. Director Boland responded yes, and the employees are aware of where they fall on the scale. Ms. Piton asked if the caps are top heavy already, will another study be done in a couple of years in order to raise those caps again. Director Grenier stated there is only one employee currently above the max which will reconcile itself within the course of the next year; everyone else is within the merit range. Director Boland indicated the ranges would adjust with cost of living. Ms. Piton inquired if Carlson Dettman provided training to supervisors on how to conduct the merit raises. Mr. Carlson stated they do provide information for a fee. Ms. Piton asked about the various studies Carlson Dettman has done throughout the valley. Mr. Carlson stated the pay plans they conducted across the valley were all uniform pay plans covering all employees with the exception of unionized police, fire and transit. The City of Green Bay is unique in requesting a study for one group. The trend since Act 10 has been to figure out how to pay those employers in the absence of a union contract, so a number of entities have studied all the positions in order to put them under a uniformed pay plan.

Director Grenier reminded the committee that Ald. Moore requested the study of the engineering division. Ms. Piton wondered how a merit system would affect morale. Ald. Zima stated it lifts the morale of employees who receive a merit increase and lowers morale of those who don't receive an increase.

A motion to return to regular order of business was made by Ald. Sladek and seconded by Ald. DeWane. Motion carried 3-0.

Ald. DeWane asked how many of the 26-engineers will be affected by the pay increases. Director Boland stated everyone would have an opportunity for a pay increase. Ald. DeWane asked if all the engineers are exempt. Director Boland replied all the licensed engineers are exempt. Based on the way the plan is set-up, everyone would have an opportunity for an increase. Mr. Carlson inquired if the engineers were previously covered by a bargaining unit. Director Boland replied only engineering aides and techs were covered by a bargaining unit.

A motion to refer to staff for additional information regarding the Engineering Compensation and Classification Study was made by Ald. DeWane and seconded by Ald. Sladek. Motion carried 3-0.

There being no further business, a motion to adjourn was made by Ald. Sladek and seconded by Ald. DeWane at 4:15 p.m. Motion carried 3-0.

Respectfully submitted,
Peggy Barden
Recording Secretary